Turning a barren landscape into a thriving industrial hub

Andhra Pradesh's industrial enclave Sri City, 65-km off Chennai, is host to a large number of MNCs altering the region's business landscape

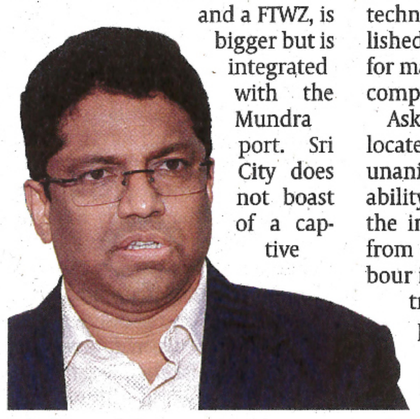
G. BALACHANDAR

What's common between Alstom, Isuzu, Kellogg's, Colgate-Palmolive, Kobelco, Pepsico, Mondelez, ZTT, Foxconn and Lavazza? They all operate out of Sri City, an integrated business enclave 65 km off Chennai on the national highway to Kolkata.

Sri City hosts the production units of 165 companies from 27 countries on 8,000 acres, and has the highest density of MNCs in the country. Products ranging from toothbrushes and cereals to mobile phones, SUVs, metro-rail coaches, optical ground wire and excavators are produced in Sri City which is a composite SEZ with a domestic tariff area, a Free Trade Warehousing Zone (FTWZ) and an Electronic Manufacturing Cluster.

That Sri City has managed to attract such an impressive client list in barely 10 years of its existence is something exceptional. Though the SEZ policy was first announced in 2000 and a Special Economic Zones Act was passed in 2005, there have not been too many success stories when it comes to multi-product SEZs in the country, especially of this size.

The Adani Ports & SEZ, which is also a composite multi-product SEZ with a domestic tariff area and a FTWZ, is bigger but is integrated with the Mundra port. Sri City does not boast of a captive port. Besides, unlike Adani which has industrial clusters with polluting industries such as chemicals and petrochemicals, Sri City has kept them away.

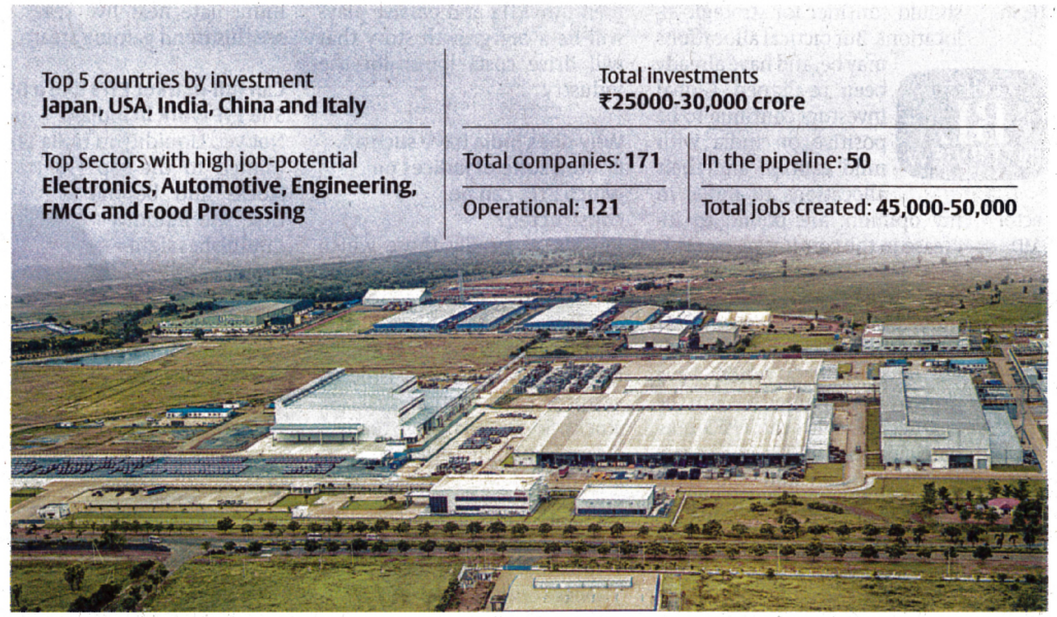


Blazing a trail Ravindra Sannareddy, Founder and Managing Director, Sri City BIJOY GHOSH

Ravindra Sannareddy, founder and Managing Director, Sri City (P) Ltd, says: "They (polluting industries) don't match our objectives. Their investments may be huge, but the number of jobs they create is very less," he says.

Second, Sri City has developed right under the nose of Tamil Nadu and Chennai, which is just across the border. The enclave has been able to attract big multinationals to a backward region despite the presence of a well-developed State with a rich industrial eco-system just a few kilometres away.

So why did major MNCs find it attractive to set up plants in Sri City?



Getting the basics right

Sri City did all the basic things right. It offered large tracts of land free of encumbrances adjoining a national highway, assured uninterrupted power, water supply and excellent connectivity to sea and airports in Chennai. In fact, there are four sea-ports within a 100-km radius of Sri City — Krishnapatnam, Chennai, Ennore and Kattupalli.

The proximity to Chennai assured supply of adequate skilled, technical manpower and an established manufacturing eco-system for manufacturing units to source components and supplies.

Ask the MNCs why they chose to locate their plants in Sri City, their unanimous answer is — easy availability of land, proximity to ports, the industrial eco-system rub-off from Chennai, cheap unskilled labour in the vicinity (which can be trained) and unrestricted supply of power and water.

Water story

Sri City has so far managed to meet its water requirements without exploiting the groundwater. In fact, companies in the enclave are not allowed to sink borewells without the permission of the Sri City management.

"We have not touched the groundwater yet. We are fortunate that we get rainfall to the level of 120 cm, almost equal to Chennai. We have installed rainwater harvesting systems in many places inside the zone. All the ponds and lakes have been retained and kept in good condition to conserve water. We have also been allocated 1 tmc feet of water from the nearby Kandaleru reservoir," says Sannareddy.

For future needs, Sri City plans to bring water from other reservoirs and also plans to set up a desalination plant at Durgarajapatnam, about 100 km away.

But it hasn't been an easy ride.

"It was not easy in the early days to make this project appeal to investors," says Sannareddy, who decided to build the SEZ in early 2000 after running an IT business for more than half a decade.

Sannareddy, who hails from nearby Sullurpet, embarked on the SEZ mission, supported by his friends, who also helped raise funds and launched Sri City (P) Ltd in 2006.

The process of land acquisition had an interesting part with several ownerswillingly offering their lands, which didn't provide them a sustainable livelihood.

While his journey began well, the 2008 meltdown and the subsequent global recession made it more challenging to attract investments. But Sannareddy utilised the opportunity to build the infrastructure at low cost.

Thanks to global and domestic developments and increasing cost of land near Chennai's industrial corridors, Sri City became an attractive destination.

Land price factor

"Some years ago, land prices were hitting the roof near Sriperumbudur and Oragadam in Chennai at ₹1 crore per acre. But paying more than ₹50-60 lakh per acre was unviable for a manufacturing unit. We became a low-cost solution for industrial units," says Sannareddy, a civil engineer with Masters and Doctorate degrees from the US. In Sri City land is let out on multi-year lease but never sold outright to investors. The big breakthrough came with his ability to attract Japanese companies, which normally do a lot of research before setting up a unit. "They have tough benchmarks and we managed to convince them, even attracting a company like Isuzu," says a beaming Sannareddy.

With about 20 of them operating from Sri City, the enclave now boasts of the largest concentration of Japanese companies in India after Manesar. Also, the new government in Andhra Pradesh, after the bifurcation, aggressively pushed the State as an investment destination and Sri City became a natural choice for investors.

What next?

Sri City has been built on a concept of 'Work, Live, Learn and Play.' The last decade was spent developing the "Work" part. With over 35,000 people working out of the enclave, the focus is now shifting to "Live" and "Play".

Says Sannareddy: "In the first 10 years, we focused on industrial infrastructure; the next 10 years will be on developing social infrastructure." The immediate focus is on building homes inside the enclave.

"Our objective is to make the people pay only the rental amount as an EMI, so that it will be attractive for those people. We are in active discussion with some groups and hope to finalise something in the next six months," he states.

In the next 2-5 years, Sri City expects the housing and related eco-system to be in place.

Sannareddy expects some of the popular schools in Chennai to consider Sri City for their expansion.

Chennai-based Institute for Financial Management and Research (IFMR) and Indian Institute of Information Technology have established their campuses here. Krea University, a new institution promoted by leading industrialists such as Anand Mahindra and Sajjan Jindal in association with former RBI Governor Raghuram Rajan, will be setting up its campus in Sri City.

Hospitals chains such as Sankara Nethralaya and a couple of others have set up facilities in Sri City.

But despite the success so far, Sannareddy is not taking his eyes off the ball. There's still 3,000 acres available for leasing out to prospective investors. The man who turned a sliver of backward land on the TN-AP border into an industrial zone against the odds is clearly not done yet.

Changing lives

Land acquisition has proved to be a major hurdle for SEZs in the country. But Sri City has managed a largely smooth process. Importantly, Sri City has benefitted the original landowners, whose land was not fertile enough for agriculture.

Land owners, predominantly farmers, struggled to earn ₹40,000-50,000 a year from agriculture. They were paid market rates for their land when it was acquired by Sri City. Besides, the younger generation also managed to secure jobs with the companies located in the business enclave.

Twenty-nine-year-old G Suresh is one such beneficiary whose father was a farmer owning a small tract of land that he sold to Sri City. An MBA from a nearby college, Suresh works as an accountant in Siddhartha Logistics located in Sri City earning ₹20,000 a month.

His father would earlier struggle in the fields to earn ₹40,000 per annum.

Also, because of his job, his family has now access to better healthcare facilities near his place. A visit to Arur village just outside the Sri City compound is revealing.

Most residents of this village had owned land where the business enclave has now come up. They have built pucca houses now and some of them have even invested in trucks and other equipment which they now lease out to companies inside Sri City fetching them steady earnings.

Split air-conditioners and dish antennae are common in this village. For thirty-six-year-old J Rajkumar, Sri City was a blessing.

Having met with an accident that left him handicapped in one leg, Rajkumar could not return to his job in a hotel in Dubai.

His qualification and experience helped him land a job in a hotel inside Sri City.

Villagers from surrounding areas who were earlier dependent on rains for their livelihoods, have now got jobs in Sri City based on their qualification and capabilities. **GB**